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Kenya

Grain and Feed Annual

2017 Kenya Corn, Wheat and Rice Report

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Report Highlights:

FAS/Nairobi forecasts an increase in Kenya's corn, wheat and rice production in the marketing year (MY) 2017/2018 mainly due to a recovery from the effects of the severe drought conditions experienced in MY 2016/2017. Post expects demand of the three commodities to increase due to a surge in human consumption of corn, wheat and rice based food products, and due to increased use of corn and wheat in livestock feeds manufacture. Imports of the commodities will offset the supply shortfall.

Corn

The drought situation in Kenya in the MY 2016/2017 has been a major setback in the efforts by both the national and the county governments to increase corn production. The drought compounded other underlying constraints such as soil acidification, lack of access to improved seeds, and the effects of maize lethal necrosis (MLN). While production has largely been stable in the key commercial production areas of Rift valley, drought-induced production losses were significant in the smallholder production areas in Eastern and Central Kenya. Kenya's Meteorological Department has forecasted favorable weather patterns in MY 2017/2018, and corn production is therefore expected to rebound. In addition, the Government of Kenya (GOK) and the county governments in the corn producing areas are putting in place recovery programs that include distribution of certified seeds and fertilizers to farmers. GOK is also continuing with its investment program at the Galana/Kulalu irrigation scheme, and in establishing storage facilities in order to reduce both postharvest losses and aflatoxin contamination.

Corn: Production, Supply, and Distribution (PSD) Table

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Kenya	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1700	0	1700	1700		1700
Beginning Stocks	213	213	258	258		223
Production	2800	2800	2850	2500		2800
MY Imports	1000	1000	1000	1300		1000
TY Imports	1000	1000	1000	1300		1000
TY Imp. from U.S.	0	0	0	0		0
Total Supply	4013	4013	4108	4058		4023
MY Exports	5	5	0	10		5
TY Exports	5	5	0	10		5
Feed and Residual	350	350	375	375		400
FSI Consumption	3400	3400	3450	3450		3500
Total Consumption	3750	3750	3825	3825		3900
Ending Stocks	258	258	283	223		118
Total Distribution	4013	4013	4108	4058		4023

(1000 HA) ,(1000 MT)

Source of data: GOK, Global Trade Atlas (GTA) - otherwise FAS/Nairobi Estimates

Notes on PSD Table

- In 2016/2017, Kenya's corn production decreased due to effects of the severe drought, that was widespread in Eastern and Central regions of Kenya
- Area harvested is forecast to remain flat in 2017/2018; the loss of production in MY 2016/2017 is expected to adversely affect the ability of farmers to open and commit more land to corn in MY 2017/2018
- An increase in production in MY 2017/2018 is forecast due favorable weather, and recovery programs by both the national and county governments
- Growth in corn consumption will be contributed partly by a new private sector investment by Bidco Land O' Lakes Ltd, a joint venture between Land O' Lakes of United States and Bidco Africa of Kenya that aims at increasing local manufacture of livestock feeds
- Corn imports are forecast to decrease in MY 2017/2018, after an increase due to planned GOK facilitated imports later in MY 2016/2017, to mitigate the impact of the drought
- Corn stocks are normally held by the National Cereals and Produce Board (NCPB), farmers and traders

Corn remains the staple food crop in Kenya and consumption is expected to continue increasing despite the diversification of Kenyan diets. Demand for corn in the manufacture of animal feeds is also expected to increase due to a recent major investment in the subsector. Kenya will therefore remain a corn deficit country and the need for imports will remain into the foreseeable future. In MY 2016/2017, imports into Kenya from other East African Community (EAC) countries were minimal due to general supply shortfall in the region. The GOK has banned corn exports and is reportedly exploring imports from non-EAC sources while taking into account the steep EAC common external tariff currently set at 50% ad-valorem and Kenya's current the import ban on genetically modified (GM) products.

In the last few months, retail prices for corn and corn products have increased rapidly due to the dwindling supply. For instance, in February 2017, the price of 90-kg bag of corn was at an average of Ksh 3,500 (\$35 USD) compared to Ksh 2,800 (\$28 USD) in September, 2016.

Kenya's National Cereals and Produce Board (NCPB) is responsible for purchase and storage of public stocks, and continually holds about 1.5 million bags, on average, as strategic reserves. NCPB has also been releasing about 300,000 bags to the market every quarter since August, 2016 to abate rapid consumer price increases.

Wheat

FAS/Nairobi forecasts wheat production in Kenya to increase modestly in 2017/2018 after a recovery from the drought that affected production in the Timau/Laikipia region in MY 2016/2017. In addition to the unstable weather conditions, wheat production in Kenya continues to be constrained by widespread use of recycled seed by farmers, and the resultant prevalence of the wheat stem rust (Ug99) disease. Efficient wheat farming is also hindered by the unending subdivision of family-owned farms into smaller units for inheritance purposes.

Wheat consumption in Kenya continues to increase due to changing dietary patterns and an expanding and robust food service sector. In both in both rural and urban areas, a growing preference for wheat products is evident across the income groups, and both commercial and home-baking have become common. The popularity of international pasta, confectionery and breakfast cereals brands in the

Kenyan market also points to the increasing embrace of new dietary patterns. A limited amount of wheat is also used in the manufacture of livestock feeds.

Kenya's wheat production deficit has increased over the years, with local production currently accounting for less than twenty percent of the total supply, and therefore necessitating imports. In the MY 2016/2017 the bulk of the Kenya's wheat imports were from Russia, Lithuania, Latvia Germany, Poland, Canada and Estonia. Wheat imports from the U.S. are primarily for Food Aid programs. Imports into Kenya by registered regional millers are assessed a 10 percent ad-valorem tariff; otherwise the EAC external tariff of 35 percent applies. FAS/Nairobi forecasts a modest increase in wheat imports in the MY 2017/2018. Wheat exports from Kenya are minimal, and attributable to the limited cross-border trade with the neighboring countries.

Wheat: Production, Supply and Distribution (PSD) Table

Wheat Market Begin Year Kenya	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	170	175	175	175		175
Beginning Stocks	221	221	275	325		315
Production	420	420	450	380		450
MY Imports	1594	1594	1625	1620		1650
TY Imports	1594	1594	1625	1620		1650
TY Imp. from U.S.	57	57	0	44		0
Total Supply	2235	2235	2350	2325		2415
MY Exports	10	10	10	10		10
TY Exports	10	10	10	10		10
Feed and Residual	150	150	150	150		160
FSI Consumption	1800	1750	1900	1850		1900
Total Consumption	1950	1900	2050	2000		2060
Ending Stocks	275	325	290	315		345
Total Distribution	2235	2235	2350	2325		2415

(1000 HA) ,(1000 MT)

Source of data: GOK, GTA – otherwise FAS/Nairobi Estimates

Rice

Kenya mainly produces Basmati, the aromatic variety of rice, in irrigation schemes that are managed by National Irrigation Board (NIB), a GOK agency. In addition, GOK and county governments have been promoting the New Rice for Africa (NERICA), an improved, rain-fed, upland rice variety. NIB is also responsible for the rehabilitation of the irrigation schemes. In 2016/2017, Mwea irrigation scheme in Central Kenya that produces over 60% of Kenya's rice had over fifty percent decrease in production due to the impact of drought on water levels in the supplying rivers, Nyamindi and Thiba.

Rice consumption in Kenya continues to increase rapidly due changing dietary preferences, higher incomes and urbanization. Local production has not been able to meet demand and the resultant deficit is offset by imports by private traders, mainly from Pakistan, Thailand, India and Vietnam. There are also modest imports from neighboring EAC countries of Tanzania and Uganda. Since July 1, 2015, EAC maintains a common external tariff of 75 percent ad valorem or \$345 USD per ton, whichever is higher for rice imports from non-EAC countries. Kenya has however been granted by EAC "the stay of application", based on limited local production, and therefore applies the previous tariff structure of 35 percent ad-valorem or \$200 USD per ton, whichever is higher. This waiver is reviewed every year by the EAC secretariat.

Rice: Production, Supply and Distribution (PSD) Table

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Kenya	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	35	35	40	40		40
Beginning Stocks	90	90	90	80		50
Milled Production	90	90	100	70		100
Rough Production	136	136	152	106		152
Milling Rate (.9999)	6600	6600	6600	6600		6600
MY Imports	460	460	470	470		480
TY Imports	460	460	470	470		480
TY Imp. From U.S.	0	0	0	0		0
Total Supply	640	640	660	620		630
MY Exports	10	10	10	10		10
TY Exports	10	10	10	10		10
Consumption and Residual	540	550	560	560		570
Ending Stocks	90	80	90	50		50
Total Distribution	640	640	660	620		630

(1000 HA) ,(1000 MT)

Source of data: GOK, GTA – otherwise FAS/Nairobi Estimates

Notes on PSD Table

- Area under rice forecast to remain flat in MY 2017/2018

- Production is forecast to increase in MY 2017/2018, due to recovery from drought and due to the ongoing rehabilitation of water supply infrastructure in the Mwea irrigation scheme.
- In MY 2016/2017, the rice production decrease is attributed to inadequate irrigation water at the Mwea irrigation scheme, due to the prevalent drought situation

Kenyan consumers prefer the aromatic rice varieties and retail prices invariably reflect this preference. Retail prices for Basmati rice at the mills have typically ranged between Ksh 110 (1.00 USD) per kilogram in January to Ksh 125 (1.25 USD) per kilogram in December, and mirrors the rice production/supply cycle. In MY 2016/2017 the cycle was however breached due to the tight supply situation brought about by lower than normal production. In February, 2017, just two months into the calendar year, the retail price at the mills was already Ksh 150 (1.50 USD) per kilogram underscoring the adverse impact of the prevalent drought not only to producers but to consumers.

